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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 33 2003

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**Report Highlights:**

\*CANADA REJECTS DOC FINAL DETERMINATION ON WHEAT \* CWB REACTION TO WHEAT TARIFFS \* SASKATCHEWAN CROP HARVEST UPDATE \* CATTLE INVENTORY UPDATE \* BEEF IMPORT OUTLOOK \* HOG EXPANSION RATE TO SUBSIDE \* LIVE HOG EXPORTS TO THE U.S. INCREASING \* FOREST FIRES DESTROY BILLIONS WORTH OF SOFTWOOD LUMBER \* AND MORE...

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Includes PSD Changes: No  
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**CANADA REJECTS U.S. DEPARTMENT OF COMMERCE FINAL DETERMINATIONS ON WHEAT:** In a August 29 news release from the Government of Canada (GOC), the GOC rejected a U.S. Department of Commerce (DOC) finding that Canadian durum and hard red spring wheat shipments to the U.S. are subsidized and are being dumped in the U.S. market. "We are disappointed with the U.S. Department of Commerce findings," said Canadian Trade Minister Pierre Pettigrew. "Canadian wheat exports to the United States are fairly traded. They are not subsidized. We will assess the Commerce Department's findings to determine the most appropriate action." "To say the least, I am unhappy with the U.S. Department of Commerce determinations regarding our wheat trade," said Ralph Goodale, Minister responsible for the Canadian Wheat Board. "Canada follows the rules of international trade and will continue business as usual while we decide the best avenues of response to the American decisions." "The Department of Commerce findings contradict our view that Canada neither subsidizes wheat shipments to the U.S. nor dumps wheat into the American market," said Agriculture and Agri-Food Minister Lyle Vanclief. "The Government of Canada will defend the interests of Canadian wheat producers." "Canada's approach has been to foster a grain handling system that is as efficient and market-oriented as possible," said Transport Minister David Collenette. "Canada's policies do not distort trade with the United States."

**CWB "DISAPPOINTED" WITH COMMERCE FINAL DECISION ON WHEAT TARIFFS:** On August 29, the Canadian Wheat Board (CWB) expressed its disappointment with a U.S. Department of Commerce (DOC) final determination released that increases tariffs for Canadian spring wheat and durum exports into the United States. Tariffs of 5.29 on spring wheat and durum were imposed under the countervailing duty case and 8.87 for spring wheat and 8.26 for durum under the anti-dumping investigation. "The DOC determination again shows the highly political nature of the whole trade action against Canadian farmers. Our spring wheat and durum exports are not unfairly subsidized or dumped into the U.S. market," said CWB Chair Ken Ritter. "It is devastating to western Canadian farmers to see this trade action continue. If the U.S. International Trade Commission bases its ruling on the facts - not on politics, the tariffs will be overturned," Ritter added. In a related August 29 article from *AgriLine*, CWB Minister Ralph Goodale said complaints under the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) are being considered.

**SASKATCHEWAN CROPS 60% COMBINED AS DRY, HOT WEATHER PUSHES HARVEST:** Dry, hot weather continued to drive the 2003 harvest forward last week with 60% of the crop now in the bin, and a further 26% of the crop lying in swath compared to the five-year average of 34% complete for this time of year, according to Saskatchewan Agriculture, Food and Rural Revitalization's August 31 weekly crop report. Reports of harvest operations in the southwestern area of the province were most advanced at 73% complete, followed closely by southeastern and west central regions at 69%. Harvesting of fall-seeded crops is nearly finished, with both winter wheat and fall rye at 99% and 94% complete respectively. Peas and lentils are close behind at more than 90% combined. Harvesting of canola is 40% completed, while spring wheat and durum are at 63% and 71%. Oats are reported at 39% complete, barley at 64% and flax at 11%. A slight increase in topsoil moisture this week is

attributed to some spotty showers in some areas of the province. Topsoil moisture conditions on crop, hay, and pasture land all demonstrated small improvements this week compared to last week. Cropland topsoil moisture is rated as very short by 64% of reporters which was down from last week's 76%. Heat and drought stress were the major source of crop damage during the past week followed closely by insect and wind damage. Grasshopper and sawfly damage was reported frequently across the province. Provincial crop production estimates for the major grain, oilseed and specialty crops continue to be in line with the August 3, 2003 projection of 20 million tonnes. Final production estimates will be provided as part of the year-end crop report to be provided in late September.

**UPDATE ON THE CATTLE NUMBERS SITUATION:** For the remainder of 2003, Canada's cattle industry will have to cope with an additional 750,000 to 1.0 million head of live cattle that, in the absence of the BSE situation, would normally have been exported live to the United States in the final seven months of the year. There is a growing problem of older and cull cows, whose numbers are sharply increasing "on the farm" partly because of the loss of important live sales to specialty packers in the United States and due to low demand for slaughter cows from domestic packers because the meat from 30 month and older cows currently has no major market outside Canada. The normal pattern of a seasonal period of heavy cow kill this fall is unlikely. The cattle industry is hopeful that issues regarding age and segregation at Canadian slaughter plants with regard to boneless beef exports to the United States can be resolved in order for the domestic market to handle the challenge of additional cow beef. The Canadian Cattlemen's Association does not support recent calls among certain groups for a massive cow liquidation program.

**BEEF IMPORTS FROM NON-NAFTA SUPPLIERS EXPECTED TO FALL IN 2004:** A government-industry committee has been charged with examining various aspects of the current policy on supplemental beef imports. According to officials at the Department of Foreign Affairs and International Trade (DFAIT), the committee is in the final stages of preparing a recommendation to be presented to the ministers for trade and agriculture in mid-to-late September. Canada has a tariff rate quota (TRQ) of 76,409 metric tons for non-NAFTA fresh chilled and frozen beef and veal (mostly New Zealand, Australia, and Uruguay). In response to the BSE situation, the GOC in mid-July announced that all applications received after July 9, 2003 for supplemental imports from non-NAFTA countries will be refused. As of mid-July, the TRQ was about 70 percent filled, leaving roughly 22,000 metric tons of non-NAFTA beef and veal to be imported under the TRQ. In addition, more than 15,000 metric tons of unused supplemental import authorizations, issued prior to July 10, remain valid. The cattle industry is expected to lobby for stricter limitations on supplemental imports in 2004 to help move additional quantities of domestic beef due to BSE related trade restrictions.

**HOG EXPANSION RATE TO SUBSIDE:** The rate of expansion in the Canadian hog industry next year is forecast to slow. Hog producers saw their profits diminish or experienced losses as a result of weaker market prices for hogs and escalating feed costs over a two-year period beginning in mid-2001. The outlook for 2004 points to Canadian pork output reaching about 1.94 million metric tons, an increase of about 1.6% above the estimated 2003 level of 1.91 million metric tons. Recent increases in Canadian pork production have been export driven. Pork exports are projected to reach 975,000 metric tons in 2003, almost 13% greater than a year ago and more than triple the level of 301,000 metric tons ten years earlier. For more information on hog industry developments in Canada, see the Livestock Annual CA3055.

**LIVE HOG EXPORTS TO THE U.S. INCREASING:** Live hog exports to the United States during the January-June period were 10% above the same period in 2002. Post forecasts that live exports of Canadian hogs to the United States during 2003 could increase up to 15% over

last year's 5.7 million head. In recent weeks, exports of live slaughter hogs to the United States, which had been in decline, increased significantly reflecting the decision of an important Manitoba hog processor to temporarily curtail slaughter citing poor profitability. For 2004, the U.S. Country of Origin Labeling (COOL) regulation scheduled to become effective in September 2004, may result in a decline in live hog exports in the final quarter, but the Canadian hog industry continues to work toward expanding opportunities with major U.S. packers (for slaughter hogs) and with U.S. hog finishers (for feeder hogs) to mitigate the impact on live animal trade in the post COOL period.

**FOREST FIRES DESTROY BILLIONS OF DOLLARS OF LUMBER IN BRITISH COLUMBIA:** according to a report in the *Globe and Mail*, the forest fires burning in British Columbia's southern Interior may have damaged trees worth as much as \$4.0 billion as finished lumber. The article said that preliminary estimates by the Council of Forest Industries indicate that the fires have affected 14 billion board feet of lumber, an amount roughly equivalent to 75 per cent of Canada's softwood shipments to the United States last year. Early estimates regarding the amount of damaged wood are based on data compiled by the B.C. government's Forest Protection Branch, which indicate that the fires have burned through 200,000 hectares of forest around Kamloops and Kelowna. This summer's fires in B.C. resulted in the evacuation of tens of thousands of people and destroyed hundreds of homes in the southern interior district.

**CFIA ADDS FIVE MICHIGAN COUNTIES TO AREAS REGULATED FOR THE EMERALD ASH BORER:** On August 28, the Canadian Food Inspection Agency (CFIA) revised Appendix 1 of Directive D-03-08, "*Phytosanitary Requirements to prevent the introduction into and spread within Canada of the Emerald Ash Borer, *Agrilus planipennis* (Fairmaire), into Canada*" and added the following five Michigan counties to the CFIA list of areas regulated for Emerald Ash Borer: Genesee, Ingham, Jackson, Lapeer and Shiawassee. The Michigan counties of Lenawee, Livingston, Macomb, Monroe, Oakland, Saint Clair, Washtenaw and Wayne are already on the regulated list. For additional information, see CFIA Directive D-03-08 at: <http://www.inspection.gc.ca/english/plaveg/protect/dir/d-03-08e.shtml>

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